



5 biggest myths about federal contractors

In ways we never realize, our government has become one of the biggest contributors to income inequality

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Every year, the federal government awards private companies half a trillion dollars in contracts for goods and services, but since most agencies [don't publicly report key](#) details about how they fill their contracts, we don't really know what they're doing — or if we're getting our money's worth.

And few of us realize the kind of employment practices being financed in our name through these contracts. One surprising secret is that while companies rake in huge contracts from the government, hundreds of thousands of private sector *workers* are toiling in the public's interest for poverty wages, under harsh conditions, and with little protection from the law. As one of the biggest purchasers of goods and services in the country, our government has also become one of the biggest contributors to income inequality.

Here are five myths about federal contractors:

1. Myth: All contractors are highly-paid fat cats.

Fact: News that a 29 year-old government contractor was earning over \$100,000 a year ([maybe much more](#), depending on which numbers one believes) makes some believe all private contractors are rolling in dough. This is understandable given the nearly \$6 billion in contracts enjoyed by Edward Snowden's employer, Booz Allen, since 2011 (not to mention the new [\\$26 million contract](#) it won this month, even as investigations continue about security practices under other contracts). But most of the people who actually do the work on these contracts are not elite earners. In fact, [more than half a million workers](#) who clean federal buildings, serve food at national parks, or sew military uniforms, to name a few, earn wages of less than \$12 an hour, or about \$24,000 a year.

For a forthcoming report, the [National Employment Law Project](#) interviewed 567 workers in federally- contracted jobs, and found that nearly three in four earn less than \$10 per hour. One

trucker told us, “I have five grandkids, and I can’t save any money. I’d like to leave them something, but I only have about \$500 in the bank.”

2. Myth: Government contracting saves taxpayers money and increases efficiency.

Fact: Even assuming the repeated high-profile stories about [fraud](#) and [bribery](#) by contractors are isolated instances, and that the [constantly revolving door](#) between government officials and private contractors doesn’t lead to cronyism and a [lack of oversight](#), claims that outsourcing government work saves taxpayer dollars and improves efficiency warrant skepticism.

Comparing apples to apples, the [Project on Government Oversight](#) found that the same work could often be done by public sector employees for less money than private sector companies demanded. And as the IRS discovered, poor practices by the companies filling the contract can mean [less effective services](#), too. But perhaps the costliest hidden price tag is the shell game in which private companies’ low cost bids to one agency are possible only because other agencies pick up the tab for the publicly-funded food assistance, housing subsidies, or health care on which the companies’ employees must rely.

In our worker interviews, we found that more than one-third receive some form of public assistance, 14 percent rely on food stamps, and 20 percent are enrolled in Medicaid programs. A janitor cleaning a federally-owned building in Washington, D.C., told us, “I wish that I did not have to depend on government help like Medicaid and food stamps, but without the help we would be homeless or starving.”

3. Myth: The federal government holds contractors accountable.

Fact: Federal rules mandate that government agencies contract with “responsible” companies, but the bar is set low by defining responsible simply as: (1) financially able to fulfill the contract, and (2) adhering to the law. Even this short list can be a tall order for contractors since those who can’t meet this low bar *continue* to be awarded lucrative contracts. A 2007 government report found that more than 60,000 federal contractors [owed over \\$7 billion in unpaid taxes](#). An internal analysis by the Department of Defense found that it had [awarded 16 contractors suspended or debarred for “fraud-related activities” more than \\$5 million](#) in contracts. Between 2005 and 2010, the Department of Justice awarded 77 government contracts worth almost [\\$16 million to companies that had been suspended or disbarred](#). These practices undervalue workers’ rights and lives, too. In 2010, the GAO reported that of the companies that received the 50 largest wage-and-hour or worker-safety fines over a four-year period, more than 60 percent then received government contracts the following year, including a petroleum company with safety and health violations that led to [15 deaths and a fine of \\$55 million](#) but that nevertheless won another \$2 billion in government contracts.

More than 20 percent of the contracted workers we interviewed were paid less for overtime than the law requires, and another 11 percent were told they had to work “off the clock” without pay at all. Some employed by food vendors in federal buildings have filed complaints

alleging that their employers made them [work some of their hours under varying business names](#) so that they wouldn't earn overtime after 40 hours per week. Other workers report intimidation and retaliation if they speak out about these illegal practices. One worker who challenged unfair working conditions told us, "They cut my hours and demand that I do the same work in a shorter period. I feel the pressure since I stood up for my rights. But I will not quit."

4. Myth: Federal contracting has kept the DC economy healthy, and created a tide that raises all boats.

Fact: Federal contracting policy has been good for greater Washington D.C. indeed. Between 2000 and 2010, federal procurement in the region increased by [182 percent](#). While it has dropped somewhat due to the sequester, in 2012 it still totaled almost \$76 billion. And [CEOs of big defense contracting companies take home big paychecks](#), eclipsing even those of the nation's big bankers.

However, much of this contracting benefits the suburbs of Northern Virginia and Maryland, where defense contractors and technology companies are housed in gleaming office towers. The District received only [about one-third the contract award dollars](#), and only half that work was actually performed in the city. The bottom 20 percent of D.C. households are getting by on an average of \$9,500 and the nation's capital has the dubious distinction of being first in [income inequality](#). The majority of D.C. contracted workers we interviewed reported earning slightly more than \$20,000 per year.

5. Myth: The Obama administration and Congress has already fixed this problem.

Fact: In March 2009, President Obama announced [plans to overhaul the federal contracting process](#). By early 2010, the *New York Times* reported that the Obama administration was going to "[prod private companies to improve wages and benefits for millions of workers](#)." But, soon after the 2010 mid-term elections yielded big Republican wins in the House of Representatives, President Obama's nominee for deputy director of the Office of Management and Budget said that the administration was [no longer considering plans to provide incentives to "high road" contractors](#). While 20th century laws like the Service Contract Act were designed to ensure public money didn't fuel the growth of low-quality federally-contracted jobs and didn't contribute to an overall downward spiraling of wages in those industries, as D.C. Delegate Eleanor Holmes Norton has said, "By distancing itself from these workers, often through outsourcing, [the federal government is betraying its own principles](#) to provide decent wages embodied in [such] laws."

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